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RUEAIIA/CIA WASHINGTON DC//DDI/OEA//
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RUEHMO/AMEMBASSY MOSCOW 0029
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SIPDIS

E.O. 12958: N/A

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SUBJECT: SEOUL - PRESS BULLETIN; July 16, 2009

C O R R E C T E D COPY - This telegram replaces Seoul 01125, same date.

TOP HEADLINES

Chosun Ilbo, Seoul Shinmun
Sweeping Blue House and Cabinet Reshuffle Expected
Next Month

JoongAng Ilbo
As Economic Skies Clear, Major ROK Conglomerates
Plan to Invest

Dong-a Ilbo
"MBnomics" Lost in a "Maze of Tax"
President Lee's Economic Team Locked in Dispute
over Tax Cuts

Hankook Ilbo
Nomination Debacle Puts Lee Myung-bak Administration's Vetting
System under Close Scrutiny

Hankyoreh Shinmun
Traditional Markets Rapidly Losing Business
to Large Retail Supermarkets

Segye Ilbo, All TVs
Ruling and Opposition Lawmakers Occupy
National Assembly's Main Chamber, Bracing for Showdown
over Contentious Media Reform Bill

DOMESTIC DEVELOPMENTS

USFK Commander Gen. Walter Sharp, in a July 14 press conference in New York, said that there is no immediate need to bolster the ROK's missile range. He was quoted: "There has been no request (from the ROKG) to do that and I really don't see a need for that right now." (JoongAng, Hankook, Seoul)

State Department Spokesman Ian Kelly, in a July 13 briefing, said that sanctions against North Korea will be on the agenda at the annual ASEAN Regional Forum in Thailand July 22-23. (Chosun, Hankyoreh, Segye, all TVs)

In a related development, according to a diplomatic source in Washington, Pyongyang will send an ambassador-at-large, instead of Foreign Minister Pak Ui-chun, to the regional security forum. (Chosun, Seoul)

MEDIA ANALYSIS

-North N. Korea

Most ROK TV networks quoted the president of North Korea's Presidium of the Supreme People's Assembly and the country's No. 2 leader, Kim Yong-nam, as arguing at the Non-Aligned Movement summit of 118 nations: "The (Six-Party) Talks came to a permanent end because the U.S. and its allies abandoned the principles of respect for sovereign rights and equality. In this situation, (North Korea) had no other choice but to take decisive measures to further strengthen its nuclear deterrence."

Most ROK media noted July 13 press remarks by State Department

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Spokesman Ian Kelly, quoting him as saying that sanctions against North Korea will be on the agenda in Thailand at the annual ASEAN Regional Forum July 22-23, in which Secretary of State Hillary Clinton will participate.

In a related development, conservative Chosun Ilbo and moderate Seoul Shinmun reported that Pyongyang will send an ambassador-at-large to the regional security forum, instead of Foreign Minister Pak Ui-chun. A diplomatic source in Washington was quoted: "If the situation was in its favor, North Korea would usually send its foreign minister to the ARF sessions, but if not, it would send lower-ranking officials."

Conservative Chosun Ilbo and Segye Ilbo gave attention to a July 14 debate session at the Cato Institute in Washington on China's role in resolving North Korean issues, in which Larry Niksch, a senior researcher at the U.S. Congressional Research Service (CRS), claimed that North Korea earns more than \$2 billion per year from arms deals with Iran. He was further quoted: "In order to implement effective sanctions against North Korea, China must block flights between Pyongyang and Tehran in addition to financial sanctions (against the communist state.)"

FEATURES

U.S. KOREAN PENINSULA POLICY LED BY "OBAMA-CLINTON LINE"
(JoongAng Ilbo, July 16, 2009, page 2)

By Correspondent Kim Jeong-uk

The "central axis" of the Obama Administration's Korean Peninsula policy line has shifted. Those who were assigned to key positions in the U.S. Department of State or engaged in negotiations with North Korea during the Bush Administration have been sidelined. Instead, the U.S.' Korea Peninsula policy is being led by those from the "Obama-Clinton line," who have been appointed since the Obama Administration took office.

A Washington diplomatic source said on July 14 (local time) that the Department of State will soon replace Kurt Tong, who was appointed as Director of the Office of Korean Affairs at the State Department by the Bush Administration last August. Tong, who has been in charge

of Korean Peninsula affairs, served as Director for Asian Economic Affairs at the National Security Council (NSC) during the Bush Administration and was involved in signing the Korea-U.S. Free Trade Agreement (KORUS FTA). Since regular personnel changes by the State Department generally occur every two years, his replacement is considered unusual.

Reportedly, Tong will advance to the position of Asia-Pacific Economic Cooperation Ambassador (deputy assistant secretary-level) and his successor will be one experienced in political affairs. This means a reshuffle of the State Department's Korean Peninsula policy line, from the position of Assistant Secretary of State for East Asian and Pacific Affairs, which was assigned to Kurt Campbell, who has been officially working since being confirmed by the Senate, to the position in charge of Korean Peninsula affairs. Also, Special Representative for North Korea Policy Stephen Bosworth and Special Envoy for the Six-Party Talks Sung Kim are responsible for the Obama Administration's Korean Peninsula policy.

A diplomatic source knowledgeable about the situation at the Department of State said on July 14, "At present, Deputy Secretary James Steinberg is in full charge of Korean Peninsula issues, and Assistant Secretary Campbell is making his voice heard. Due to North Korea's repeated provocations, however, the roles of Special Representative for North Korea Policy Stephen Bosworth and Special Envoy for the Six-Party Talks Sung Kim, who are both in charge of negotiations with North Korea, are reducing."

Deputy Secretary Steinberg, who had served as Deputy National Security Advisor to President Bill Clinton, led a delegation with

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Special Representative Bosworth to China last month after the adoption of UN Security Council Resolution 1847 imposing sanctions on North Korea and asked the international community for a "strong and unified response." Assistant Secretary Campbell, who was in charge of the Clinton camp's Asia policy during last year's presidential campaign, plans to visit the ROK on July 18 for the first time since assuming office and will coordinate stances with other nations on a response to North Korea.

The source in Washington noted, "Steinberg or Campbell is not the person who rejects active diplomatic negotiations with North Korea, but considering that they cannot compromise on the denuclearization of the Korean Peninsula, they are likely to maintain a pressure policy on North Korea for the time being."

STEPHENS